April 12, 1961

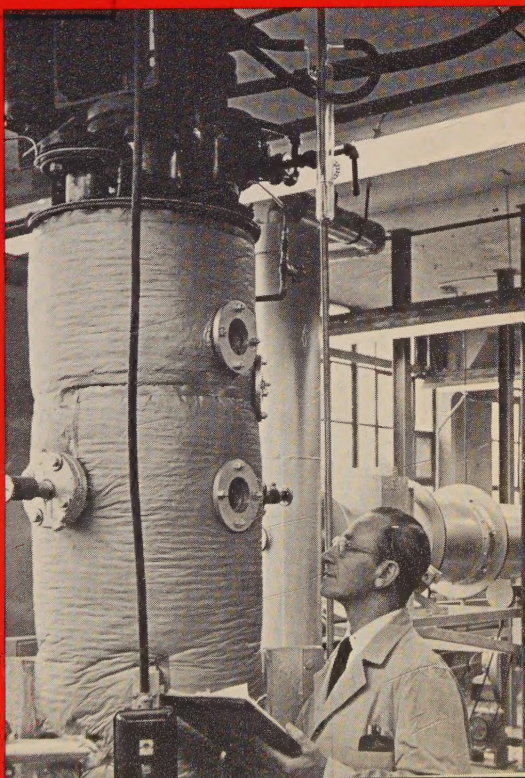
Investor's Reader

For a better understanding of business news

NEW ALUMINUM IDEAS AT

Olin

(see page 10)



FOSTER FOLLOWER

For "the best in style and safety under the sun in '61" this smiling snorkler sports a pair of sunglasses fitted with new ff-77 lenses which filter out 77% of the sun's rays. Foster Grant Company of Leominster, Mass, the world's largest manufacturer of sunglasses now uses them in all sunglasses retailing for $1 or more. It predicts the ff-77 lenses will help boost sunglass industry sales 50% to $150,000,000 by 1965.

Foster Grant was founded 42 years ago as a manufacturer of hair ornaments and combs. These items plus sunglasses, squeeze bottles and other molded plastic products provide over 40% of its present volume. A well-integrated company, Foster Grant is also a major producer of plastic raw materials with a second 40% of its business gleaned from polymers and copolymers. These include styrene-base molding and extrusion compounds and Fosta Nylon, a nylon 6 type material.

Some time this year Foster Grant will also begin production of high-pressure polyethylene at a "multi-million dollar" facility adjacent to the Socony Mobil ethylene plant at Beaumont, Texas. The remainder of Foster Grant sales are in styrene monomers. It uses about half the production for its own polymerization, sells the other half to a few customers. US Rubber and Copolymer Rubber & Chemical take about 60%.

In the past five years alone Foster Grant sales have doubled to a record $34,940,000 for the year ended last September. Profits however have been erratic. From $1.23 a share in fiscal 1956 they fell to 78¢ two years later. They then recovered to last year's record $2,104,000 or $1.61 a share. For the first (December) quarter of the current fiscal year however they fell anew to 17¢ from 40¢ due chiefly to styrene price problems. As a result Foster Grant stock which was first offered to the public in October 1959 when 190,000 shares of common were sold at 24½, then climbed as high as 37 last year, currently trades right back at its offering price.

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Life Insurance Companies Swing Upward

Sales, Stocks Rise With Longevity, Cost-Cutting; Competition Stiffens

ONE business statistic which often induces a startle pattern in the beholder is the growth record of the stocks of life insurance companies. As recorded by the Merrill Lynch index, these securities have risen from 100 in 1940 to an alltime high of 4,240. Natural gas producers and IBM-boosted office equipment are the only industry groups to top this record.

Naturally such gains reflect the not inconsiderable growth of the life insurance industry itself. Insurance in force now amounts to $585 billion compared with $116 billion in 1940. The average US family carries around $9,500 protection compared with $2,700 in 1940. Admitted assets of the life insurance companies which have doubled every ten years since the turn of the century now total about $115 billion.

This growth has been spurred by great increases in volume of policies written and by improvements in medicine which prolong life and of course push back the time most policies are paid off. At the same time it has brought into action some forces which could slow the industry's growth, chief among them being added competition. There are now about 1,450 companies in the business compared with 444 in 1940.

Life companies issuing stock constitute about 80% of the total. The remainder are mutual companies whose profits are shared with policyholders. While the stock companies thus outnumber the mutuals four to one, the mutuals have about two-thirds of the business. Leading in size are mutual giants Metropolitan, Prudential and Equitable. The biggest stock companies, Aetna Life and Travelers, rank only seventh and eighth on the overall roster.

While the term "Soaring Sixties"

at best evokes a wry smile in many industries, for the life insurance companies 1960 was a good year indeed. They added $73 billion in new business. Their investment income continued to profit from high interest rates—the average yield was 3.96% at the end of 1959 compared with 3.85% the year before and a mere 2.88% in 1947—and rates have averaged still higher since.

One factor however tended to counter the new business and investment success of the life companies. This was the imposition of a revised Federal income tax law in June 1959. For many years the life companies had been subject to taxation only on their net investment income. The new taxes were broadened to include underwriting profits and net long-term capital gains and also raised the rate on investment income, hiking the total bill by perhaps 60%. It is estimated the companies are being taxed about 25% *v* only 15% before.

Bearable Tax Burden

The law was retroactive to 1958 earnings but most of the companies elected to take their accumulated lumps in 1959. For instance, National Life & Accident reported earnings of $4.62 a share in 1959 *v* $6.16 in 1958. Had increased taxes been allocated to the years in which they were incurred, the results would have been $5.76 in 1959 and $5.02 in 1958—a more accurate indication of the company's earnings trend. In any case, insurance men are fairly satisfied the tax situation is stabilized for a while now and can be lived with.

Now the life companies are turning their main attention to the problem of competition. There are several types, depending on how large a segment of finance is considered. The life companies compete with savings banks, savings & loan associations and various forms of stock market investment for the savings dollar. The latter is tied to inflationary tendencies in the economy and has posed a special problem for life insurance salesmen since policies bought now may have diminished purchasing power when benefits are paid out. The most compelling answer is people must simply increase their coverage in pace with inflation —the coverage is just as necessary now as ever.

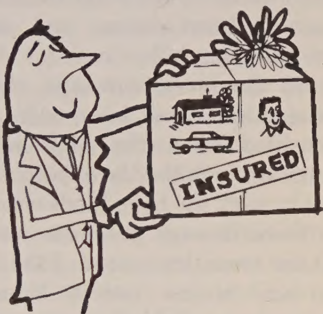
Some insurance companies have already explored the idea of policies geared to possible stock market rises, namely variable annuities. In these, part of the premium money would be invested in stocks, the rest in the customary bonds and mortgages. Though this new medium has been recognized by the SEC—provided it is handled with the same safeguards of information and registration as regular securities issues —and made legal in the District of Columbia and New Jersey, enabling legislation would be required in many more key states before the variable annuity can be widely offered.

Competition within the industry comes from two sources—new companies, which are sprouting up vigorously, and fire & casualty insurance companies. The latter are tempted by the profitability of life insurance

ıd by the greater stability of the fe business. The fire & casualty ompanies periodically encounter ycles when their losses run ahead f premiums; until their rates are aised, their earning power is hampered. This problem has been partic-larly pronounced in the inflationary ostwar period. With life companies, osses are much more predictable nd the cycles more level.

One way the fire & casualty com-anies like to make the transition ıto the life business is through of-ering the buyer a single insurance ackage — automobile, house, life. hey feel they are particularly well quipped to do this. However, most fe men hold that life policies are a different breed of animal" and ıat it will be some time before the re & casualty companies offer seri-us competition. Some well known nsurers which have recently ranched into life are Insurance ompany of North America, Great merican and Sears, Roebuck's All-tate. Springfield Insurance Com-any (formerly Springfield Fire & Iarine) acquired Monarch Life in 958, has bought up some others ince.

Another form of competition rises among the various forms of nsurance offered by the life com-anies. Their three major "prod-ıcts" are permanent, term and group nsurance. Permanent gives the roadest coverage and lasts the long-st but also is more costly. Term xpires after a stated number of ears, costs less to carry, but may eave a senior citizen with no cover-ıge if he outlives the term. Renewal, even if available, may be too costly for him since the amount of the premium is based on the age at which the new term policy is taken out. Group insurance is simply term insurance written for large numbers of people—union members or company employes—to spread the risk and cut costs to people insured.



The companies have tried to fight the public tendency to settle for term, either individually or through group. They warn added coverage is necessary to meet the rising expenses of the future. As one example of the concerted drive to move term and group policyholders into permanent types of insurance, big Pacific Coast insurer Occidental Life sells a conversion feature with its term policies. Under it, as the insured gets older and earns more, he can broaden his coverage.

While the competition may be tightening at all levels, the insurance companies have several factors working mightily for them. Chief among them is the vastly improved proficiency of medical science to prolong life. Life expectancies now are almost 70 years against 63 years in 1940. Says industry authority

Best's Insurance Service: "If the death rates of 20 or 30 years ago prevailed today, death benefits would have totaled $4.3 billion instead of the $3.3 billion actually paid in 1960." Thanks to antibiotics major improvements have come in combatting diseases like pneumonia and tuberculosis. This has cleared the way for a full-scale medical attack on heart disease and cancer, the two main killers now.

On the investment side, the life companies have in recent years benefited from the high interest rates at which they have been able to put to work the huge funds entrusted to them through premium receipts. At the same time, more of the funds invested at low interest rates are becoming available for reinvestment at the higher rates. An interesting circumstance here is the newer companies generally can show higher yields on their portfolios than the older, since they do not have the backlog of low interest bonds dating back to the late Thirties and War II which still repose in many an older company's vaults and hold down its average yield.

Big Computer Users

In expenses the companies are well geared to benefit from adoption of electronic data processing machines—in fact they are believed to be the biggest users of large computers of any industry. Much tedious routine in the insurance business can be programmed for the electronic brains. With insurance volume growing, companies can buy the machines and still put few if any employes out of work. Connecticut General and Travelers, both based in Hartford, use RCA 501s. Kansas City Life last October installed a Univac Solid State 90 computing system to process its 500,000 policies.

The various favorable factors affecting the life companies have held sway over the increasing competition in recent stock dealings. After a four-year interlude of little movement, the life stocks began to turn up again in November and have been moving ahead ever since. Some of the price appreciation leaders have been Continental Assurance, up 34% since the year end to 243 bid; Jefferson Standard, up 33% to 56½; Life Insurance Companies of Virginia, up 45% to 77.

This has happened though 1960 earnings figures for some of the companies are still not available. Hedged in as they are by having to satisfy many regulatory bodies with differing demands, the insurance companies tend to give late and often difficult-to-interpret reports. Some which have come out are: Jefferson Standard, which earned $2.95 in 1960 *v* $2.46 in 1959; Lincoln National $6.71 *v* $5.50; Franklin $2.64 *v* $2.15; California Western States $2.62 *v* $2.24.

For 1961 some predictions are available. Best's Insurance Service looks for sales of about $75 billion of new life insurance in 1961, topping 1960 by $2 billion. Connecticut General expects "good" 1961 earnings. And Occidental Life (wholly owned by Transamerica) says its sales are running $125,000,000 a month ahead of 1960.

NATIONAL ECONOMY
Girth Control

PERHAPS the many medical messages on the dangers of overweight have had effect or perhaps it is eagerness to get in trim for the New Frontier. At any rate, Wallach's, the New York area retailer for (and subsidiary of) clothier Hart, Schaffner & Marx, reports encouragingly: "For every three pairs of trousers we have to let out at the waist, we have to take in seven."

MANUFACTURING
Ronson Light

THE NEWS was good indeed from the Woodbridge, NJ, executive home of the 66-year-old Ronson Corp. Last week it announced the results of a highly successful year in which sales rose 11% to a record $41,041,000 and profits a tidy 30% to $3,770,000 or $1.29 a share from 99¢. This year, as last, more than half of Ronson profits came from foreign operations.

The New Jersey company has come a long way since the days when it concentrated solely on lighters and accessories. When its patents expired in 1952 and Japanese imports and other imitations began to submerge its lighter sales, Ronson bought a small aircraft parts company, two years later pushed heavily into electric shavers. When these began to suffer from competition, it countered with electric hair dryers and shoe polishers and rare earth metals.

Though lighters are still quite dominant, Ronson gets less than 35% of sales from them today *v* 88% in 1952. Lighter accessories—flints, fluids and the like—are about equally important. Shavers, hair dryers and shoe polishers account for 22-to-25% with the rest made up from service, aircraft and missile parts, rare earth metals. The rare earth metals division makes ferrocerium lighter flints for its parent and other users, is equipped to supply rare earth and thorium metal products for industrial and military uses.

Diversification has not been Ronson's only answer to heavy competition. With cheap imports and imitations still flooding the lighter market, Ronson has concentrated on premium priced, high quality models. It has also gone into butane gas lighters which have proved increasingly popular. To help rise above the intense shave competition, it has launched heavy and effective advertising campaigns. And for something new it recently introduced a shaver with a replaceable head so when the blades dull the user buys only a head rather than the whole shaver.

Ronson still has a long way to go before it matches its fat profit margins of the late Forties and early Fifties. Best year was 1949 when it netted $3.97 a share on sales of $32,000,000. However for the immediate future president Louis Vincent Aronson II is shooting for earnings of $1.50 a share on sales of $46,000,000 in 1961. For the longer term he

hopes to get his company up to earnings of more than \$2.60 a share on \$75,000,000 of volume by 1965. Meantime the 1,500,000 shares of Ronson common trade only a point or so off their alltime high of 18 scored earlier this year *v* a low of 5 in bleak 1954. With a current 60¢ annual dividend it yields 2.8%. A 2% stock dividend was paid in February.

One obvious boon to last year's and current margins was the September 15 change in Federal excise taxes to a 10¢ maximum on cigaret lighters from the previous 10%. Lou Aronson figures this added at least 5¢ a share to last year's profits since "we get our highest sales of lighters in the December quarter."

TOBACCO
Liggett & Myers Meets

LAST WEEK No 3 cigaret salesman Liggett & Myers Tobacco Company (Chesterfield, L&M, Oasis) held its annual meeting as usual in dismal Jersey City. A proposal to move the yearly affair to the more swish environs of Manhattan was once again defeated.

After settling the routine business Liggett & Myers president William A Blount discussed the all-too-dismal showing of his company. For the third year in a row, sales fell slightly to \$543,200,000 last year, 2% below 1959. Profits were off 4% to \$28,700,000 or \$6.96 a share *v* \$7.28 the year previous.

President Blount maintains: "We are not satisfied with the share of business we got last year and the share we're getting now." And the fact Liggett & Myers sales are practically the same as a decade ago is "most humiliating to us." Courtly Bill Blount, who took over the presidency at the end of 1959 after 36 years with the company, even says: "You can blame part of it on me. I've been in a year and knew a lot about the company but had a lot more to learn—the hard way." He assured the 150 or so assembled stockholders "we've made some changes and are considering more. We'll leave no stone unturned."

In the first two months of this year "profits were below last year. March was better but the first quarter won't be quite as good as last year" when the company earned \$1.58 a share on sales of \$127,000,000. North Carolina-born Blount hopes to "reverse the sales downtrend before the end of the year."

The company is counting on further gains by filtered L&M's along with king-sized Chesterfields. In addition Liggett & Myers is tops in the export field, "an excellent business for us." However, regular-sized Chesterfields will no doubt continue their nine-year decline. Oasis, the company's 1957 entry in the spiraling mentholated market, did not catch fire. "Perhaps we made some mistakes in promotion" offers chairman of the executive committee William L Perry. Happily Oasis "has shown increases in the last six months."

Duke of Durham was slated for the high-filtration derby in late 1959. But the FTC in early 1960 banned any reference to cigaret health claims which "meant the demise of Duke. It

still has a loyal following in some cities."

The company with 48,000 share-owners also has quite a following. And while Liggett & Myers income statements have been anything but spectacular its dividend record is excellent. Based on the current $1.25 quarterly rate "we pay out the biggest percentage of earnings of any tobacco company." The 4,000,000 "LM" shares which trade on the Big Board around 88 yield a very healthy 5.7%.

MANUFACTURING
Federal Signs of the Times

IT IS NOW 21 months since highway sign maker Federal Sign & Signal Corp had to move its Chicago headquarters and main plant—to make way for a highway. In its first full year at its new $1,000,000 plant in Chicago suburb Blue Island, Federal reports, the "greater efficiency of the new plant has contributed to an increase in net income in the face of the decline in gross volume."

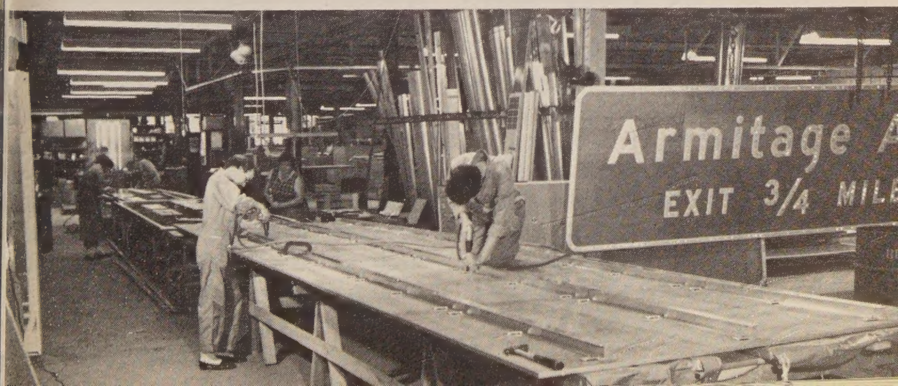
Specifically while revenues slipped about 2% to $13,800,000 in the year ended last November, net income rose to $972,000 or $1.81 a share from $1.76, adjusted for a 3% stock dividend. Federal Sign flashes company results only semi-annually but president William W Scott notes "business is running a shade ahead of last year with sales about the same and income up a bit." So is the company backlog which currently stands at $9,300,000.

From its founding as Federal Sign System (Electric) in 1901, the company has had many name changes. The present title dates to 1954. But save for the permanent addition of signal manufacture in 1916 and a brief and expensive lapse into manufacture of electric irons and medical x-ray equipment in the Forties, its business has remained essentially the same.

Today about one-third of Federal volume comes from each of three groups: signs; visual & audible signals; maintenance. With 14 plants and offices in the East, Midwest and Southwest, Federal is one of the few companies in the sign industry which "can service nationwide advertisers on a multiple-market basis."

While Federal makes electrical outdoor displays, about 75% of its sign business is in leasing and main-

Interstate highway sign assembly



tenance of these signs. Spectaculars (large illuminated displays such as the huge Pepsi sign in downtown Chicago), retail, plant and building identification signs and public service-type displays which feature time and/or weather are some Federal sign products.

Federal's highway sign division makes road signs and directional markers for thruways. President Scott states "it is our hope the Government-sponsored road building program will run into $2-to-3,000,000 a year for us."

The Midwest company is also a leader in visual and audible signals for municipal agencies, Government and industry. Federal's Beacon Ray revolving red emergency light is very often found on police cars, fire trucks, ambulances and other emergency vehicles.

Siren Customers

Local governments are big customers for the company's air raid sirens which include the Thunderbolt 10 hp for Civil Defense use in major cities. Federal's combination fire and air raid siren, approved by the Office of Civil Defense, is currently used in smaller communities. Such government business accounts for three quarters of the company's signal sales. However Federal also distributes emergency warning systems to heavy industry through 2,000 jobbers.

To develop new models and additions to its present lines, Federal Sign & Signal spends about $75-to-100,000 a year. One new product introduced in early 1960 is the Interceptor, an electronic siren-public address unit for use in police cars and other emergency vehicles. William Scott notes "it's coming into its own now."

Federal is not averse to expansion by acquisition. In 1957 it strengthened its marketing position with three Philadelphia acquisitions: the local branch of Broadway Maintenance, Penn-Neon Signs and Alert Signal Service. It also took over Crystal Sign in St Louis.

Illuminated plastic display producer Lackner Company of Cincinnati was added to the fold the following year. William Scott admits Federal is in the acquisition market for companies in "kindred fields" but "we are trying not to make the same mistakes we made in the Forties."

Despite its public product line there is relatively little Federal stock publicly available. Common capitalization is only 494,500 shares of which International Telephone & Telegraph owns 11%. Comments William Scott: "We do some special work for IT&T but it is not important to our volume." Ahead of the common are 61,000 shares of $1.25 cumulative preferred. There has been no long-term debt since 1955.

The 1,200 shareholders of Federal Sign & Signal common which trades over-the-counter around 21 have received increases in the cash dividend in each of the past eleven years. The present rate is 20¢ quarterly. In addition there were stock dividends of 10% in 1955, 5% in 1956 and 1957, 3% in 1958 and 1960 and a 2-for-1 split in 1959.

RAILROADS

Hope on the Coast Line

NET INCOME of Class I railroads last year declined for the fifth straight year: to $450,000,000 from $578,000,000 in 1959, a drop of 22%. The 1955 alltime record was $927,000,000.

In its annual report just out, Washington-to-Florida carrier Atlantic Coast Line Railroad also shows some decline but it fared considerably better than most of its brethren. Total revenues of $162,200,000 registered a decline of only one-seventh of 1%. Freight business which brings in 83% of total revenues was off not quite 1%; passenger traffic actually gained 4% over 1959. Net income came to $10,600,000 or $4.01 a share *v* $4.59, a decline of 13%.

For 1961 vp and general counsel Prime Osborn expresses hope of a reasonably good year with the chance of some real improvement. He reports a slight increase in recent carloadings and adds: "We think there may be a definite upturn in the economic conditions of this region in the next few months."

As a specific boost to Coast Line business he cites participation in Fruit Growers Express, a railroad-owned cooperative venture for shipping fruit by refrigerator trailer on piggyback. "This is enabling us to get back traffic we lost to trucking. It's small but its future is bright."

The railroads are currently waging a strong campaign for more favorable legislation and administrative treatment of their problems. Prime Osborn candidly observes: "You know hope springs eternal. Sooner or later the American people will realize we don't have a fair chance to compete * * * and that's all we want."

Atlantic Coast Line has a specific proposal to better its own economic position: merger with neighbor Seaboard Air Line Railroad.

Should the merger go through, the two railroads have estimated the annual pre-tax savings at about $39,000,000 for the surviving company. Named Seaboard Coast Line Railroad, it would control 9,300 miles of track and nearly a billion dollars in assets, rank eighth among the nation's railroads.

As if in anticipation of marriage, Coast Line and Seaboard last year formed jointly owned Duval Connecting Railroad Company, acquired land for a joint classification yard in Jacksonville.

The roads formally submitted their merger plan to the ICC last Summer. A dissident note was sounded soon after by four rival lines which banded together in opposition —Central of Georgia, Florida East Coast, Gulf, Mobile & Ohio and the Southern Railway.

The ICC is currently conducting hearings in states served by the roads. Beginning early next month in Atlanta it will hear the case of the four protestants. Attorney Osborn commented last week from Coast Line's newly established Jacksonville headquarters: "We are both hopeful and enthusiastic about our prospects. I can see no reason why the merger won't be approved." However he notes: "A decision is not likely before 1962."

New Progress in a Giant Chemical Complex

Olin Mathieson Integrates And Further Streamlines Operations and Products

JUST TWO WEEKS ago president & chief executive officer Stanley deJongh Osborne of Olin Mathieson Chemical Corp observed: "Our aluminum operations are now in the black. In fact they have been for the past five months." For Olin this is the climax of a six-year uphill struggle. Prompted by its realization in 1955 that there was an insufficient world supply of aluminum, Olin entered the aluminum industry with a mammoth $200,000,000 investment. Together with Revere Copper & Brass, it formed a 50-50 partnership and set up Ormet Corp which built a 345,000-ton alumina plant in Burnside, La and a 180,000-ton aluminum reduction plant at Hannibal, Ohio. Subsequent expansion by most aluminum producers, heavy start-up plant costs, production difficulties and soft prices eclipsed Olin's hopes for early aluminum profits.

Stan Osborne says the break-even point came in the last quarter of 1960 "despite the absorbing of heavy charges—26¢ a share—for accelerated amortization and generally poor price conditions throughout the industry." By turning the corner in November, Olin kept aluminum losses for all of 1960 to 9¢ a share of which all but two pennies were lost in the first half of 1960. Losses were 38¢ a share in 1959.

Though aluminum operations provided a brighter note, Olin experienced lower figures in both sales and earnings in 1960. Profits from US and Canadian operations plus dividends, fees and royalties from overseas affiliates were down 8% from 1959 to $34,600,000 or $2.59 a share *v* $2.81 in 1959. Besides the loss in aluminum Olin incurred a 5¢ a share loss from write-off of Castro-seized Cuban operations.

Sales were also down last year to $689,600,000; this was 2% below the record of 1959. Two of the company's six major operating divisions had slight sales gains in 1960: Squibb pharmaceuticals & drugs which contributed 16% of total volume and the energy division which brought in 8%. Sales were off slightly in the chemical (31% of volume), metals (17%) and Winchester-Western arms & ammunition (10%) divisions. The packaging division (18%) held about even with 1959. President Osborne attributes last year's results to "reduced economic activity throughout the country which decreased demand and reduced prices for many of our products."

First Quarter Fare

For the first quarter of 1961 Stan Osborne observes: "Sales in January and February were not good, March was better." Profits will be "below" the 64¢ earned in the first quarter of 1960. But for the full year he optimistically notes: "If the economy follows present forecasts earnings could show good improvement." He believes the company could earn over $3 a share, close to the record earnings of $3.38 a share of 1956 tallied two years after the half billion dollar

merger of Olin Industries and Mathieson Chemical. But chief Osborne cautions: "The economy has got to give us a push."

Energetic Osborne is not sitting back awaiting the economic upturn. He is hard at work accelerating the recent sales improvement, reducing overhead expenditures and fostering capital programs to lower costs. One particular project now completed: a revitalized management team. Stan Osborne comments: "As a result we haven't got one piece of management deadwood left. We've got a young, vital management group. I hate to admit it but I'm second oldest of the lot." Stan is 56 years old. He states further: "Olin's management is going to be with the company for some time to come; our planning is with the long view in mind."

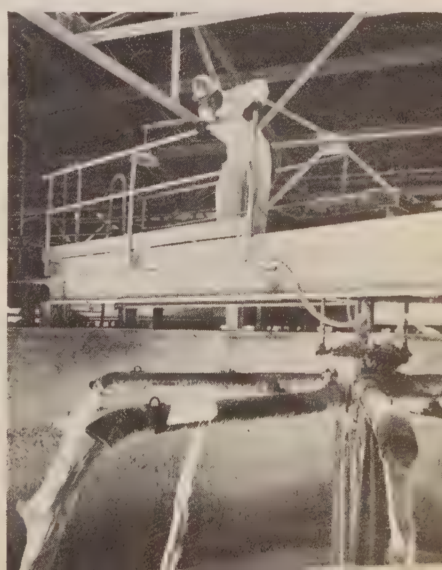
Besides a youthful management team Olin Mathieson has a more streamlined corporate look. From 56 plants with some 17 different operations at the time of the 1954 merger Olin today has 55 "modern efficient plants" operating in but six areas. Last month president Osborne announced the spin-off of Olin's nuclear fuel operation into newly formed United Nuclear Corp (IR, Mar 29). The remaining portion of Olin's energy division will be incorporated into a new organic chemical division. And industrial chemicals will form a second Olin chemical division.

To match its new slimmer divisional lines Olin Mathieson is going in for a streamlined monicker. While legally it remains Olin Mathieson Chemical Corp it henceforth will identify itself, its divisions and its product lines simply as Olin—except of course in the case of well-known brand names such as Squibb and Winchester-Western. A $2,500,000 advertising campaign to foster Olin's simplified identity was launched last month. The company's plea: "Please call us by our first name."

Olin will also continue as a substantial advertiser for its products and activities. Trim-looking Stan Osborne notes: "In all, our budget for advertising this year will run between $14-and-16,000,000" which about equals last year. However Olin which sponsored *Small World* in 1959-60 "has no TV programming scheduled" but rather intends "to concentrate on magazine exposure."

In addition to heavy advertising outlays Olin will spend $24,000,000 this year on its research budget. The company maintains research labs for pharmaceutical & biological study at New Brunswick, NJ. For its research in chemicals, metals, explo-

Bauxite becomes alumina



Olin's Stan Osborne

sives, fuels, propellants, packaging films, firearms and ammunition Olin last month dedicated a new $7,500,000 center in New Haven.

Also last month Olin research announced "an important breakthrough" in the search to make alumina from common clay. Though aluminum is the most abundant metal in nature and forms 8% of the earth's crust, much of it has been chemically out of reach. Now Olin has developed as far as the pilot plant stage an economical process for purifying aluminum sulphate. According to research vp W E "Butch" Hanford: "With this key step it should be possible to produce aluminum where cheap power exists without compromising on plant location to suit both the raw material and power source."

Aluminum is generally obtained from alumina (aluminum oxide) by electrolytic reduction at plants located close to cheap power sources because of the vast amount of electricity needed. But the alumina must first be refined from bulky bauxite ore, much of it shipped in from tropic deposits. These processing plants are generally located at deepwater sites, leaving a costly inland transport operation to bring the alumina to the reduction plant. The Olin process opens the possibility of constructing a complete aluminum plant at one site where coal for electric power is cheap since the ordinary alumina-bearing clay and shale from which the required aluminum sulphate could be extracted is found most any place. Researcher Hanford points out: "Olin's new extraction method is economically attractive because of the large size and purity of the crystals recovered." However Olin which gets bauxite ore from Dutch Guinea for its Ormet alumina plant has no present plans for using the new process commercially.

The company also recently announced it developed a tough blend of an epoxy and a thermoplastic resin with bullet-stopping capabilities. In laboratory tests a five-eighth inch thickness of the plastic stopped .30 caliber bullets at 5-to-20 yards. But Dr Hanford notes: "Further development work is necessary." If research efforts are successful, he adds: "Numerous applications ranging from armor for the military to automobiles are possible."

Fundamental to all Olin operations is the company's long-range expansion and modernization pro-

gram. Stanley Osborne explains: "At this time we've completed a thorough survey of each division. The purpose of this has been to modernize plants, improve efficiency, cut costs, increase production of certain existing products and to enter production of new products which promise a satisfactory return. We hope to do a quality business in each area of endeavor." This year capital expenditures will run between $50-and-60,000,000 *v* $48,800,000 last year. Stan Osborne says "next year capital expenditures will be the same as this year" but by the end of 1962 the major part of the program will be complete and "expenditures will be concentrated on new product development."

Some major expansion projects under way: a joint venture with Sun Oil for a $20,000,000 ethylene & ethylene oxide and urea plant at Claymont, Del scheduled to be on stream in the beginning of next year; additional facilities for new products in the organic chemical operations at Doe Run, Ky; modernization and expansion of chlor-alkali facilities at Niagara Falls; a new chlor-alkali plant at Charleston, Tenn. Another project: construction of industrial chemical facilities for production of cyanuric and concentrated phosphoric acid.

In addition Olin is constructing with Government funds a $15,000,000 anhydrous hydrazine plant at Saltville, Va. The chemical division has a $25,000,000 Air Force contract for production of the storable liquid fuel which is used in the Titan II missile.

Not as exciting as rocket fuels but an area in which Olin has "done a great deal of investigation" is polypropylene. Stan Osborne states: "We already produce propylene and you can bet we've spent a great deal of time considering polypropylene — particularly resin and film. As yet however the company has no formulated plans to produce it."

Along with Olin's invigorated expansion and new product program the company's 13,300,000 common shares reflect renewed market interest. They had reached a high of 64 in 1955, then slid all the way to 32 in 1958 but have recently recovered to around 46.

Convertible Opportunities

Also outstanding are a total of $99,998,000 in two 5½% convertible debentures maturing in 1982 and 1983. Until 1972, they can be turned in for Olin common at $50 a share—that is, 20 shares per $1,000 bond which means an eventual addition of 2,000,000 shares when & if all are converted.

Even at the present advanced price of around 123 the convertible debentures provide a well-earned current yield of 4½% or more than double the rate on "OLM" stock. And if favorable developments push up the price of the common, the conversion privilege guarantees the bonds will share in the climb. In addition to the debentures, Olin owes $231,000,000 in long-term notes.

Dividends on the Olin common are 25¢ quarterly. Stan Osborne remarks: "Once we get more of our [third of a billion] debt paid off it will be natural to consider a raise in the dividend."

THE DOW-JONES INDUSTRIALS SINCE 1900

UPDATED HERE is the course so far this century of the Dow-Jones industrial average which after a steep five-month, 113-point climb virtually regained its alltime high late last month before slowly settling back a bit. Though its makeup is statistically weak, the Dow-Jones industrial average is beyond dispute the most widely used yardstick of the stock market. It benefits from its exclusive status as the *Wall Street Journal's* house index and the hourly dissemination of its standing over the Dow-Jones news ticker.

Besides, the Dow-Jones industrials appear to measure the market's general tenor as well as any of the other major indexes. All the standard indicators normally agree on major trends such as the strong upsweep since October though they may differ on its magnitude and historical perspective—the latter a point of importance to those technicians who feel charts possess magic powers.

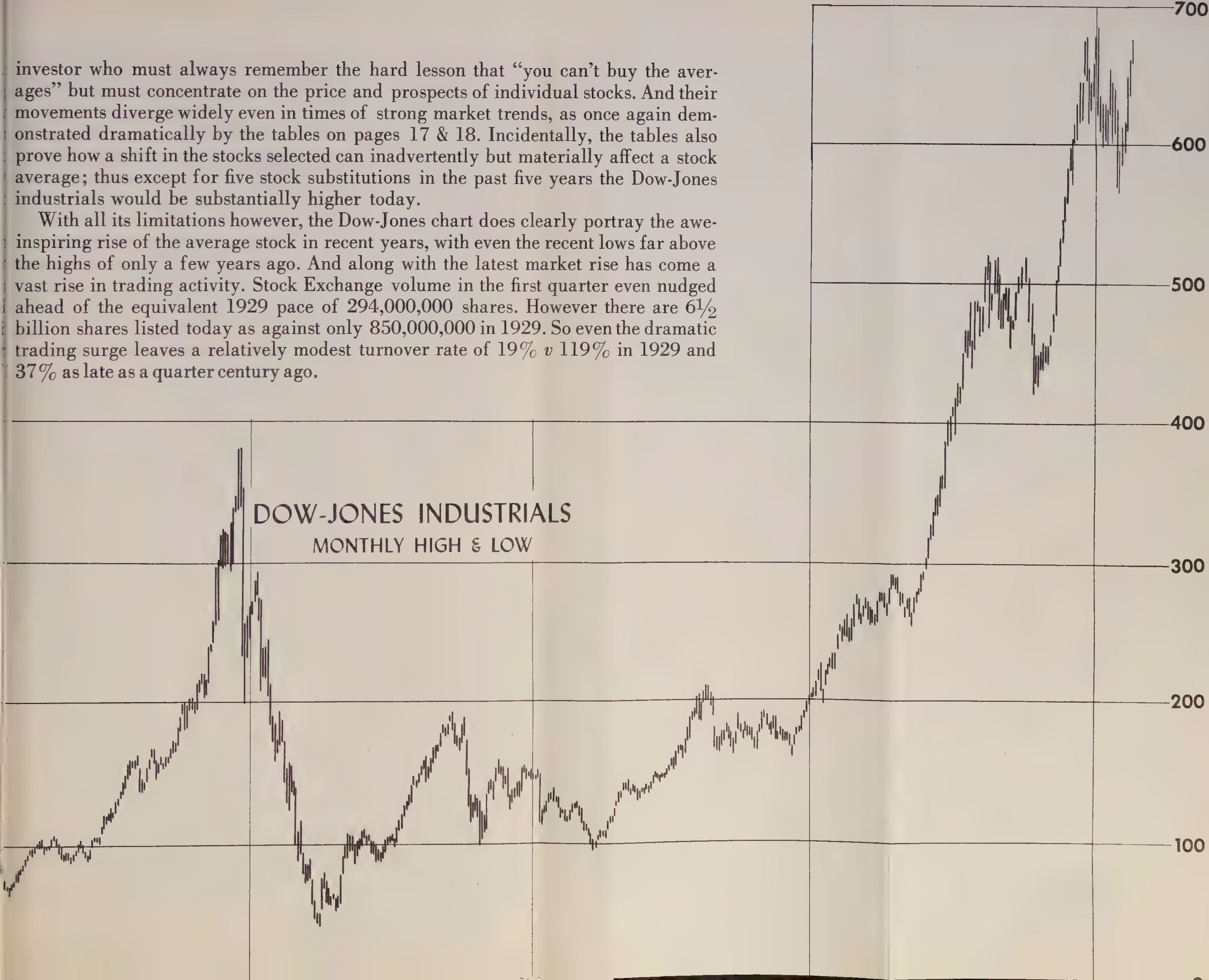
Thus both the Standard & Poor's and Merrill Lynch indexes—which incidentally had made their previous highs in August 1959—began to reach new alltime high ground three months ago whereas the D-J industrials, which vaulted seven points over their August 1959 high to set their alltime high of 685.47 five months later, still have to top this January 1960 peak. The *New York Times* 50-stock combined average, heavily weighted by 25 rails, did recover some 20% from last October's low but is still 10% below the August 1959 peak. Even more surprising, the 25 *Times* industrials are around 80 points below their 20-month-old high of 737. But computed two blocks further downtown, the *Herald-Tribune* 100-stock composite broke through to a decisive new alltime high last month. So, for that matter, did the most-ignored member of the Dow-Jones family, the 65-stock composite.

But all these technical differences matter little to the individual

Note: Because this chart has permanent value we suggest you remove this section and keep it in a safe place.—Editor.

investor who must always remember the hard lesson that "you can't buy the averages" but must concentrate on the price and prospects of individual stocks. And their movements diverge widely even in times of strong market trends, as once again demonstrated dramatically by the tables on pages 17 & 18. Incidentally, the tables also prove how a shift in the stocks selected can inadvertently but materially affect a stock average; thus except for five stock substitutions in the past five years the Dow-Jones industrials would be substantially higher today.

With all its limitations however, the Dow-Jones chart does clearly portray the awe-inspiring rise of the average stock in recent years, with even the recent lows far above the highs of only a few years ago. And along with the latest market rise has come a vast rise in trading activity. Stock Exchange volume in the first quarter even nudged ahead of the equivalent 1929 pace of 294,000,000 shares. However there are 6½ billion shares listed today as against only 850,000,000 in 1929. So even the dramatic trading surge leaves a relatively modest turnover rate of 19% *v* 119% in 1929 and 37% as late as a quarter century ago.



INDIVIDUALISTIC DIVERGENCE MAKES UP THE DOW-JONES MOSAIC

On three previous occasions (Aug 7, 1957; Jan 21, 1959; Mar 2, 1960) IR has provided a stock-by-stock study of how widely divergent are the moves of the 30 individual securities which are added together to form the D-J industrials. This time the box score has been expanded to take in the stocks which compose the two companion averages: the 20 Dow-Jones rails and 15 utilities. Comparisons are made as of March 22 when the D-J industrials made their most recent high of 679.38. On the same date the utility average reached an alltime peak while the rail group attained its best level in 13 months.

The first set of "up or down" columns relates the recent high to the alltime Dow-Jones industrials peak of January 5, 1960 (all figures have of course been adjusted for stock splits, etc). While the industrial average last month was only six points from that peak, 16 out of 30 individual stocks lost ground during that 14-month period. This ranged from just a couple of points for Owens-Illinois and Swift to a 37% drop for Chrysler. GE lost 33%, Alcoa and International Paper more than 25%. By contrast, among the 13 stocks which rose during the period were such impressive gains as 78% for Procter & Gamble, 58% for General Foods, better than 40% for Johns-Manville and American Tobacco.

Just five years ago this month the D-J industrials made a then-sensational high of 521, a mark the average has now bettered by 30%. Nonetheless, over one-third of the 30 stocks now in the average presently sell for less than their 1956 price with losses as deep as 32-to-39% for Anaconda, Alcoa, Chrysler. Thus the rise in the average can largely be attributed to the way-above-par performance of such stocks as General Foods and Procter & Gamble which tripled, Kodak up 156% and American Tobacco, Telephone and Sears all up better than 75%.

Contrasted with the wide-ranging industrials, rail and utility stocks have shown somewhat greater cohesion. The recent rail high of 150.81, though it caps a 22% recovery since last Fall, is 6% below January 1960, 12% below the Spring of 1956. The individual rail stocks echo this pattern. Only a handful show even a minor rise during this period; the sole major gains were by the buoyant Norfolk & Western which soared 70% in five years and its prospective merger mate, the New York, Chicago & St Louis (Nickel Plate), up one-third since last year. Meantime the hapless New Haven has lost five-sixths of its 1956 price, the Erie-Lackawanna two-thirds. Even outside the troubled East the Rock Island, Illinois Central and L&N all are down around 40%.

The story is far happier for the utilities where the average has climbed to a steady succession of new highs and 100% of the stocks in the average have shared in the upsweep. But even here there are substantial individual differences with gains since early 1960 ranging from not quite 10% for Panhandle Eastern Pipe Line to 40%-plus for Houston Light & Power.

Perhaps the most significant lesson in diversity, however, may be gleaned from the entries at the bottom of the industrials table. The stocks booted out of the Dow-Jones average during the past five years subsequently turned in a far stronger performance than their replacements. With a 3¼ point change in any single stock now enough to cause a full point's change in the 30-stock "average," it figures the industrials would be at least 35 points higher had the old stocks been retained. This of course would have pushed the average to a new alltime high long ago.

	Recent D-J Hi (March 22) Closing Prices	Points Change Since Jan 5, 1960		Apr 6, 1956	
		Up	Down	Up	Down
Dow-Jones Industrials	**679.38**		**6**	**158**	
Allied Chemical	60	3			3
†Alcoa	76		31		40
American Can	38		5		10
Amer Tel & Tel	111	30		50	
Amer Tobacco	75	22		35	
†Anaconda	54		12		26
Bethlehem Steel	46		11	5	
Chrysler	45		26		29
DuPont	210		55		25
Eastman Kodak	115	7		70	
General Electric	66		33	3	
General Foods	82	30		56	
General Motors	47		8	2	
Goodyear	38		9	14	
Intl Harvester	50	1		14	
Intl Nickel	67	12		20	
§Intl Paper	33		12		12
Johns-Manville	72	23		15	
†Owens-Ill Glass	102		2	27	
Procter & Gamble	160	70		107	
Sears, Roebuck	60	10		26	
Std Oil of Calif	51	2			3
Std Oil of NJ	46		4		16
†Swift	46		2		2
Texaco	99	13		32	
Union Carbide	132		16	1	
United Aircraft	43	3			15
US Steel	86		17	26	
Westinghouse Elec	44		12	15	
Woolworth	71	5		22	

§added 7/3/56 †added 6/1/59

Companies dropped from average 6/1/59					
Amer Smelting	62	9		6	
Corn Products	89	33		58	
Natl Distillers	29		5	6	
Natl Steel	87		10	12	
MGM (drop'd 7/3/56)	59	27		37	
65-stock composite	**229.96**	**7**		**47**	

	Recent D-J Hi (March 22) Closing Prices	Points Change Since Jan 5, 1960		Apr 6, 1956	
		Up	Down	Up	Down
Dow-Jones Rails	**150.81**		**10**		**21**
Atch, T & Santa Fe	26		2		6
Atlantic Coast Line	46		9		8
Baltimore & Ohio	37		6		10
Canadian Pacific	25		1		10
Chesa & Ohio	65		4	4	
Chi, Rock Island	25		4		16
Dela & Hudson	20		8		9
Erie-Lackawanna	6		4		12
Great Northern	50		3	4	
Illinois Central	40		7		27
Kansas City Sou	80	2			4
Louisville & Nash	58		19		40
NY Central	21		10		22
NY, Chi & St L	46	12		15	
NY, New Haven	3		3		17
Norfolk & Westn	113	8		46	
Pennsylvania	15		2		12
Southern Pacific	24	1		6	
Southern Railway	53		1	3	
Union Pacific	33	2			3
Dow-Jones Utilities	**112.07**	**24**		**45**	
Am Elec Power	66	17		28	
Cleveland Elec	58	8		17	
Columbia Gas	24	4		8	
Commonwealth Ed	79	22		36	
Consolidated Ed	79	19		31	
Consol Nat Gas	56	8		20	
Detroit Edison	54	11		20	
Houston Lt & P	97	29		48	
Niagara Mohawk	43	8		10	
Pacific Gas & El	84	20		31	
Panhandle-Eastn	52	5		12	
Peoples Gas	75	15		35	
Phila Electric	60	9		21	
Pub Service E&G	50	12		15	
Sou Calif Ed	76	15		24	

RECREATION

Chicago Musical Scores With Broad Line Of Electronic Organs

FOUNDED back in 1920 Chicago Musical Instrument Company has been through "some tough years." But despite its ups & downs vice president Arnold Mark Berlin, 32-year-old son of founder-president Maurice H Berlin, proudly notes the $11,000,000-assets musician "has always made a profit."

During most of its corporate life Chicago Musical was a manufacturer and distributor of band instruments, guitars, accordions and stringed orchestral instruments. By the mid-Fifties the company was doing "a rather modest business of $8-or-9,000,000." But in 1956 the company acquired the patent to the electronic Lowrey organ from privately owned Central Commercial Company of Chicago. Frederick Lowrey, Central Commercial's president, "had spent millions developing the organ." Explains Arnold Berlin: "He was a religious man and felt every home ought to have an organ."

Thanks to Lowrey organs, Chicago Musical sales have nearly tripled since 1956 to $22,300,000 in the year ended April 1960. Profits kept pace and climbed from $422,000 (69¢ a share) in 1955/56 to $1,330,000 or $1.97 in 1959/60. Organs now contribute over half the company's business. They are made for Chicago Musical under long-term contract by Hallicrafters Company, "an arrangement we like very much. They are electronics experts, we are specialists in marketing." Over four-fifths of Olds band instruments and all the Gibson guitars are manufactured by two majority-owned subsidiaries. Each line accounts for roughly 15% of Chicago Musical volume. Most of the remaining sales come from accordions imported from Italy and stringed instruments.

Starting with a single model five years ago, Chicago Musical now has eight basic models for "the most complete line of organs in the industry." This July the company hopes to add one more model in the $1,895-to-$1,995 range. Last year it introduced six organs while dropping two. One of the debutants was the $995 Holiday-Duo which "has had tremendous success. It is fast moving up" in the company's repertoire to the No 1 place currently held by the $895 Holiday model. The Holiday-Duo is a combination spinet-chord, "can be played either as a conventional organ or as a chord."

Industry experts figure Chicago

Gibson guitar strummer

Musical's Lowrey organs are now playing a very healthy second to Hammond. Other competitors are Baldwin, Conn, Wurlitzer and more recently Magnavox.

Arnold Berlin attributes "our startling success" to the policy of giving "the best value we could for the least amount of money." Although the company sells three "big" organs in the $2,495-to-$2,895 range, "the bulk of our organs is down at the lower end" of the scale or from $895-to-$1,495. Arnold Berlin comments "our models really compete with each other more than with the competition."

The rivalry must be healthy for the company has countered the recent sour notes in the organ industry. In the nine months ended January sales rose 3% while profits climbed 11% to $1,146,000 or $1.60 a share *v* $1.53. Meanwhile usually buoyant industry leader Hammond reported profits for nine months through December were off 15%.

The Chicago Musical earnings climb was accomplished by "a lot of hard work" says vp Berlin. But he hesitates to predict results for the year ending this month because "the last few weeks could make a big difference." Wall Streeters feel the company could do slightly better than the $1.97 a share netted in 1959/60.

Chicago Musical went public only last July when 260,000 shares were sold at $20 each. The remaining 450,000 shares are closely held. The stock has reflected the company's sharp gains in the musical world and now trades over-the-counter around 37, off six points from the high.

While Princeton-grad Arnold Berlin refuses to give any future estimates for his company, "we are certainly planning to grow." However piling up increases "will get tougher. It's the same thing with a business man as it is with an athlete." But young Berlin stresses his company has a couple of factors in its favor: a broad selling organization with 600-to-700 organ distributors, "close to" 3,000 guitar and 1,200-to-1,300 band instrument vendors and "enough manufacturing capacity." Thus vp Berlin contends "we can increase our business substantially without adding overhead."

ELECTRICAL EQUIPMENT
Fischbach & Moore Installation

WHEN THE lights went on in the new Park Avenue office of New York's First National City Bank last month the credit went to electrical expert Fischbach & Moore Inc. Ditto for Chase Manhattan's imposing downtown project. In addition to these new bank buildings Fischbach & Moore has had a hand in the wiring of practically every well known building in the country. Some noteworthy connections by the nation's top electrical contractor: the UN, Chicago's O'Hare Airport, the House of Seagram, Freedomland, the huge municipal auditorium in Dallas not to mention installation for many Atlas, Titan and Bomarc missile bases.

Though well known in current circles Fischbach & Moore is still somewhat of a stranger to investors. The company went public eight months ago when 345,000 shares were

sold at $16.50 each. A 6% stock dividend in January brought the total outstanding to 770,000 of which over 400,000 are closely held. The stock, after dipping to a low of 9¾, now trades around 22 in the over-the-counter market.

Executive vice president Allen D Fischbach, son of founder-chairman-president Henry F Fischbach, explains the stock sale: "Dad wanted to get things set up for the children." Besides Allen there are three other second generation Fischbachs, 18 grandchildren and one great-grandchild. Suavely tailored, 43-year-old Allen Fischbach himself accounts for six of the grandchildren and the great-grandchild, is "the only son in the company now." Younger brother Herbert was president of Fischbach & Moore for a year but left in February 1960 because "he has a very profitable real estate business and he decided you can't be in two things at once."

Competitors Merged

Founder Henry F started the business back in 1918. Seven years later he teamed with competitor Robert E Moore who Allen Fischbach says "took away one of Dad's good customers." On the customer's advice "the two decided to get together."

While Bob Moore has retired, Henry Fischbach who will be 70 in November is still active in the business. Says son Allen: "I'm sure he will be active for at least another ten years." F&M executives call him "the dean of the electrical contracting business" and credit him for opening up a lot of new areas. One example is the steel industry

Henry and Allen Fischbach

which used to do all its own electrical work. In 1937 Henry Fischbach wheedled a contract out of US Steel and since then independent electrical contractors have had most of the steel business.

In its early years F&M concentrated on New York City (one big project: the Holland Tunnel). The company is still headquartered in Manhattan but now maintains 14 offices in eleven states, two more in Montreal and Toronto. It maintains a permanent staff of 500, also employs up to 5,000 or so independent electricians as needed. Allen Fischbach says: "We won't expand any more at present. The company has been built on one personality and that is dangerous. We are now concentrating on each area and promoting independent—that's the word I guess—operations" by each office.

In each of its operating areas Fischbach & Moore has large competitors. For example Ets-Hokin & Galvan Inc is a rival bidder for missile work on the West Coast and at

Cape Canaveral. But F&M claims it is "the only nationwide" electrical contractor. Moreover its 16 offices "are a form of diversification." Consequently when one branch such as Houston is affected by the downturn in oils & chemicals, another office such as Denver which is riding with missile business takes up the slack.

Thus administrative vp Philip Heller maintains, "although we are tied in with the general business cycle we are not at all cyclical. With the exception of apartment houses [though F&M actually does a few] and roads we do all types of electrical work" from installing conventional lighting & power systems and air conditioning to wiring stock boards to hooking up missile control systems.

Such jobs brought in a record $56,300,000 in revenues for the year ended September, 15% ahead of fiscal 1959. In the same period profits gained 16% to a record $1,100,000 or $1.51 a share *v* $1.42. The company only reports sales & profits when a job is completed and while there are variations the average lag between signing and termination of a contract is a year and a half.

In fiscal 1960 almost three-fourths of F&M volume was commercial and industrial installations, "the business we grew up on," 16% came from missile and radar stations, the remaining 13% from power stations, exposition centers, radio & TV stations and instrumentation items.

As of the end of December 1960 F&M backlog including partially completed jobs stood at $85,000,000 or about the same as a year earlier. Slightly less than 60% is in stable commercial and industrial contracts while 26% is in more vulnerable missile and radar contracts. The rest is composed of instrumentation, power plant and other jobs.

F&M has yet to issue an interim report. "It would be misleading" for closing one big contract in a period could throw the figures out of proportion. Thus while he completely hedges a fiscal 1961 prediction vp Heller assures "we will show a profit" for the 28th consecutive year. How much can as always be greatly influenced by "whether two or three contracts are closed in September or not completed until the new year starts in October."

Among future prospects Allen Fischbach mentions: "We are sitting on one beaut of a contract [probably defense] but two other contractors are after it too. It could be the biggest in the country." Meantime F&M in February signed for the electrical wiring on the 59-story Pan Am building now under construction in New York. The contract is currently valued at $4,000,000 "but it could go as high as $8,000,000." Injects Phil Heller: "If the business is there, Fischbach & Moore will get its share."

WALL STREET
One Man's View

PERHAPS the most animated bank letter in the US is *Arizona Progress* published by the Valley National Bank which has 67 offices and $681,000,000 total assets. The editor is fun-loving Herbert A Leggett who left Wall Street for Phoe-

nix 18 years ago and started *Progress* three years later. Here are excerpts from the latest issue:

"Are you puzzled by modern economics? Does the stock market baffle you? If so, you probably belong to the older generation which, even when emerging from the caves, had trouble adjusting to new conditions and new 'frontiers.' A fellow-wonderer recently posed this question: 'How come the stock market goes up when business is bad, earnings are declining and dividends are being cut?' This is the kind of reactionary, unimaginative thinking that retards progress, bursts bubbles and * * * sometimes even restores sanity.

"Of course, a lively stock market is lots of fun for all concerned whether oldsters, youngsters or brokers. Win or lose, it makes an interesting hobby for 'senior citizens' and the new generation takes to it almost as though they knew what they were doing. A few whiffs of unearned increment can be quite habit forming.

"We doubt that young people today are mainly interested in security (social or otherwise). This is a generation that has fought two wars and realizes that it is living in the shadow of push button destruction. As a result it doesn't scare easily * * * Biological fatalism leads directly to economic fatalism."

At any rate economist Leggett has his own theory on what delayed the business upturn: "* * * people are so heavily invested in the stock market they haven't any money left to buy other things."

WE HEAR FROM . . .

Twin Uses

LEVITTOWN, NY

GENTLEMEN:

I was very interested in the article on GD Searle and its new birth control drug Enovid in your March 29 issue.

As you may or may not know Enovid originally was developed and prescribed as a procreative drug. In fact only a little over a year ago my wife's doctor told her we would never be able to have children and should consider going to an adoption agency. As a last resort however he decided to try her on Enovid. I am now the father of a set of healthy twin girls.

Very truly yours,
HAL WILEY

UTILITIES

Allegheny Appellation

POINTING up the trend toward broad identification in company titles is another new name among the 1960 crop of annual reports. It is Allegheny Power System Inc—the holding combine of West Penn Power, Potomac Edison and Monongahela Power. Wall Streeters recognize it as the handle for oldtimer West Penn Electric Company.

At a special meeting in November stockholders voted the change "to a name more truly descriptive of the character and location of the company's business" which spreads far beyond its old Western Pennsylvania confines to embrace sections of Maryland, Ohio, Virginia and West Virginia as well. The change also brought a new ticker symbol of APW (the old was WSP) under which the common shares have risen on the NYSE from last year's low of 33¾ to 48½ early this year. Last week they were still floating close to that alltime high at 46.

Last year the system's companies

More power at Willow Island

generated a record 10½ billion kwh which brought in record revenues of $158,600,000, up 4% over 1959. Net income rose almost as much, stood at $22,000,000 or $2.38 on each of the 9,276,000 shares now outstanding compared to $2.36 on the 8,976,000 shares out at the end of 1959.

Residential and industrial customers accounted for nearly equal chunks of revenue. They contributed 41% and 39% respectively. Commercial sales to stores, churches, schools and the like provided most of the rest.

The iron, steel and coal industries are Allegheny's biggest users. Together they accounted for close to half the industrial revenues. As in many utility companies, a special department devoted to "area development" concentrates on bringing new plants into the territory and encouraging old customers to expand at home. Last year 71 new customers were added to the industrial roster which now includes American Can, Corning Glass Works, 3M and RCA.

To handle the burgeoning demand for power, Allegheny has spent an average $44,000,000 a year over the last five years on plant expansion and improvement. In October a $24,000,000 addition completed at the Willow Island Station of Monongahela Power added 182,000 kw to the system's capability. This year's capital program is budgeted at $40,000,000, with the major project the startup of an additional unit at West Penn Power's Mitchell Station twenty miles south of Pittsburgh. When completed in 1963 its 250,000 kw turbogenerator will be Allegheny's largest. There are no signs of slackening. The expected expenditure for both 1962 and 1963 is "in the $50,000,000 range."

Allegheny's latest interim report for the twelve months ended February 28 shows total revenues and income down slightly from the year end to $2.36 a share. But President J Lee Rice Jr believes if the forecasted general business improvement takes hold in the last half, full year earnings should be "in the range of $2.40-to-2.45 a share."

Building Booms in Hostelries

Industry Leaders Express Optimism with Reservations As Capacity Soars

THE HOTEL industry will long remember "the building orgy of the late Twenties" which resulted in putting 80% of US hotels into bankruptcy or otherwise into the hands of lenders. Even the world-famed luxurious Waldorf-Astoria—the last hotel built in New York prior to this year—began its hostelry life in 1931 only after extensive refinancing.

Now has come a startling resurgence in construction. On July 15 the Hotels subsidiary of Loew's Theatres Inc will open the doors of Manhattan's first new hotel in 30 years — the 800-room Summit located on the silk-stocking East Side. In what one hotel man calls "this day and age of declining occupancy," Loew's is at the same time planning construction of another hotel, the 2,000-room Americana, on the West Side. Nearby, Hilton Hotels in conjunction with Uris Building and Rockefeller Center Inc will build a 2,200-room structure slated to cost $75,000,000. However a few blocks away a mammoth hotel originally planned by grandiose developer Bill Zeckendorf's Webb & Knapp will instead house the offices of Sperry Rand.

New York City is not unique. The frenzied tenor of the current hotel building boom occurring coast-to-coast was summed up by Preston Robert Tisch, president of Loew's hotel unit: "You can face-lift; but you are still asking the jet passenger of today, who whizzes from Europe to the Pacific in a matter of a few hours, to step into a hotel that dates back to the era of the Ford Trimotor or the Curtiss Condor."

This first major wave of hotel construction in a generation is getting a large boost from the 1954 tax code provision for fast depreciation write-offs which enables hotel men to reinvest funds and to attract new money for expansion. Urban renewal of outmoded downtown areas in large cities is also contributing to the resurgence of the downtown hotel. One big factor: such redevelopment plans may make otherwise costly land available at sharply scaled-down prices with Federal and local authorities chipping in the difference. Land is also a principal factor in the ambitious hotel building plans of Loew's Theatres under the 1960-installed Tisch regime: Loew's owns plenty of choice downtown spots where no-longer-profitable movie houses can be replaced by modern hostelries.

Foreign Front

Financial considerations have also promoted the interest of leading chains like Hilton in foreign ventures. Usually tourist-seeking governments or local interests stand ready to finance the building, providing the US chain with the chance to operate the hotel with little risk or investment. The same minimum investment deal is sometimes available in the States where local businessmen back construction, arrange for

Afloat at Miami hotel-motel

an experienced operator to take over management.

The many owners and operators of existing hotels who are refurbishing, air-conditioning, adding banquet rooms and in other ways improving existing facilities, spent $121,725,000 on modernizing last year. But they have their work cut out since they must compete with the glamorous new hotels which offer many important advantages including very necessary "in-hotel garages."

The importance of the billion-dollar-a-year convention business is also stimulating the building of new "hybrid luxury-convention hotels" which offer large exhibit & conference halls as well as first class room accommodations. In fact, some New York real estate experts say the three new Manhattan hotels see much of their future in the New York World's Fair of 1964-65 and the large influx of convention business the Fair is supposed to bring. The number of convention cities — a high-sounding designation applied by the International Association of Convention Bureaus—has more than doubled since 1940 to the present 62, including many resort cities like Miami. But during the same period there has been a less-than-10% increase in the number of conventions. Thus the available business has been spread pretty thin. Once-big convention cities like Chicago, Detroit and Portland have recently built new convention halls and are making all-out attempts to regain lost business.

Hotels have much to gain from convention trade. Cases in point: the world's largest hotel operator, Hilton Hotels, derives an estimated 35% of its revenues from this source; No 1 hotel owner Sheraton Corp, about 25%.

As is plain to anyone who travels on highways or views hotel statistics, competition has grown steadily rougher from the increasingly luxurious motels which now dot the perimeters of all major cities. Aside from tourists, they have attracted more & more businessmen who like to use their car as an "away-from-office" office. A special boom is enjoyed by motels at or near airports, ideal for the fly & rent-a-car executive or salesman.

But perhaps the greatest challenge to hotels comes from the motel's di-

rect encroachment on the downtown terrain.

A fairly new concept, the "in-city motor hotel" combines the central location and services of a hotel with the informality and convenience of the motel. One of the in-city veterans is the six-year-old Deauville, located ten blocks from the heart of New Orleans. It has had a higher rate of occupancy and higher room rates than most of the city's top hotels. H R Weissberg Corp's Western Hills in Fort Worth is ten minutes away from the city's hub and offers "drive-in and on-site parking facilities" as well as a swimming pool, six restaurants and a "key club."

Profitable Masquerade

One executive of a franchise motor lodge chain exclaims indignantly these new luxury hotel-motels are hotels "just masquerading under the motel name." But the exact terminology hardly bothers operators and investors as long as the result is profitable. Besides, many experts, including the large chains, feel a marriage of hotel-motel operations promises the most attractive future.

There certainly is an increasing intermingling of problems, especially as far as small, outmoded, uneconomical units in both the hotel and motel categories are concerned. Just the same, the motel building boom which began in 1945 is still going on with the new hotel boom now superimposed. In many smaller cities motor hotels have usurped the business of outmoded, ill-kept hotels. According to national motel specialist Stephen W Brener, a vice president of New York real estate broker Helmsley-Spear Inc, overbuilding of motels began in 1958 with the effects starting to be felt in mid-1960. From the 20,000 often spartan "tourist cabins" of 1948 there are now some 60,000 motor hotels throughout the country. This includes 263 units built last year which added 31,600 rooms at a cost of $488,000,000. Steve Brener notes that "experts in the field quote a construction rate during the next ten years that will create between 3,500 and 5,000 more of these operations. However, 20,000 of today's motels will be out of business by 1970."

In the past easy financing has lured many a promoter who was inexperienced in motel locations and management into construction of these units. Specialist Brener predicts: "Today's motels are costly to build, therefore only fewer and larger motels are to be expected. The big capital investments for these may have to come from pooled resources, either as partnerships or as other forms of cooperative venture."

Realizing the opportunity for strategically located, well-run motel-hotels, the large hotel chains have entered the field, joining such major motel chains as Holiday Inns and TraveLodge. Hilton Hotels already has four luxury "airport inns," plans three more to be completed in 1961. Comments president Conrad N Hilton: "Our major domestic expansion will be in the inn-type horizontal edifices * * * We anticipate considerably more activity in the development of Inns, preferably at airports where we know that as time

goes on, air traffic will bring increased business." He further notes Hilton Inns "are designed to meet the needs of a traveler who has a car with him—either his own or rented. Hotels and inns fulfill different requirements and satisfy different tastes." But presumably there are not enough tastes to fill all the hotels. Hilton has announced plans to drop three of its "less favorably situated" hotel properties.

Sheraton Corp now has three "highway hotels" and a motel. Knott Hotels currently has five motels while Hotel Corp of America (the former Childs restaurant company taken over by entrepreneur Abraham Sonnabend) has 13 Charterhouse Motor Hotels at present, plans another one this year.

Restaurant Entry

New superhighways and increased road building programs have also enticed such restaurateurs as Frank G Shattuck Company and Howard Johnson to enter the motor hotel field through franchise operations, Hot Shoppes through directly operated outlets.

As the boom in hostelry building pushed space ahead of demand, the American Hotel Association reports "the country experienced a 1% drop in occupancy in 1960, bringing the average down to 66%." Overbuilding of "transient facilities" (especially motels) has caused a steady decline in room occupancy rates since the 93% of peak year 1946. New hotels will intensify this decrease. In 1960 alone, 114 new hotels containing 25,750 rooms were built at a cost of $700,000,000.

Charles A Horrworth, executive vice president of the AHA, further explains jet travel has also made a dent in room occupancy rates. Businessmen can go from one city to another, put in a full day of conferences and return the same day.

However even with reduced occupancy and only a 3% average increase in 1960 room rates (compared with 6-to-7% in previous years), the hotel industry's gross sales rose 1% over 1959 to an estimated $2.8 billion. But after taxes, depreciation, mortgage payments and operating expenses, average net profit last year slipped a tenth of a percent to 3% of gross sales.

Among the big hotels, Hilton increased its volume 5% last year but net slipped to $2.48 a share from $2.90. In the nine months ended this January, Sheraton operating net dipped to 30¢ a common share from 40¢ while Hotel Corp with its multiple interests reported 3¢ for the nine months ended September *v* 9¢ the year before. Excluding capital gains Knott Hotels earned $1.86 a share last year *v* $2.44. Holiday Inns, however, cleared 70¢ in the six months ended December *v* 51¢.

Many industry leaders are concerned with hostelry overexpansion, much of which is caused by inadequate analysis of market potential and "maximum disregard of sound business principles." Warns AHA spokesman Horrworth: "Overbuilding can result in disastrous competition which has an adverse effect not only on existing hotel properties but on the entire economic life of the community."

DuPONT DEVELOPS ABROAD

Along the River Foyle outside the quiet, 53,000-population town of Londonderry in the northwestern corner of Northern Ireland, No 1 US (& world) chemist E I duPont de Nemours Company established its first European manufacturing beachhead. The giant chemist was perhaps surprisingly slow in launching such an invasion. It had long felt primary attention was due the mushrooming US market, then relied on massive exports. And until the Justice Department forced abrogation in 1951 it maintained a know-how-sharing arrangement with Britain's Imperial Chemical Industries.

But in 1956 the company formed wholly owned DuPont Company (United Kingdom) Ltd and that November began construction of a 50,000,000-pound-a-year neoprene synthetic rubber plant at the Londonderry site which was named the Maydown Works. Formally completed last Summer, the plant with its open-air complex of pipes, valves and tanks so familiar to viewers of modern US chemical installations was inspected by the hard-hatted quartet pictured below: Maydown Works general manager John Weyrich, Northern Ireland Governor Lord Wakehurst, parent company chairman Walter S Carpenter Jr and duPont (UK) managing director William H McCoy.

After landing at Londonderry, the duPont forces quickly fanned out to other strategic European locations. In fact a finishes plant (lacquers, enamels, paints, etc) at Malines, Belgium, started by newly organized duPont de Nemours (Belgium) SA in 1958, beat the Northern Ireland installation to the production line. It was ready in December 1959 and during the past year capacity at Malines was doubled.

In addition duPont (Nederland) has an Orlon plant slated to start production in Dordrecht this year and in the same Dutch city is building a plant to make Delrin, the strong acetal plastic which competes with some metals. Early this year construction was started on a titanium dioxide pigment plant in Germany in which duPont owns a 26% interest. In France duPont owns no

PHOTOS BY TERENCE LE GOUBIN, LONDON

plants but has contracted with a manufacturer to produce a line of herbicides for its French subsidiary. And duPont de Nemours International SA was incorporated two years ago in Geneva to handle sales & services for both parent and subsidiary products in Europe.

DuPont has also sharply stepped up investments in Canada and Latin America. All told, duPont investments abroad so far total $280,000,000 including $135,000,000 in Canada, $85,000,000 in Latin America and $60,000,000 in Europe. These operations now employ some 13,000, only 180 of whom came in as US duPonters. Including about $218,000,000 US exports, duPont did a $363,000,000 business abroad last year, divided roughly 35% in Europe, 28% in Canada, 24% in Latin America and 13% in the rest of the world. While these figures may not loom large compared with duPont's total 1960 business of $2.1 billion, the foreign volume by itself would place the company among the 130 largest US corporations. Besides, last year's foreign volume was 21% above 1959, the first year duPont gave such a breakdown. Since establishment of the Common Market and the "Outer Seven" trade areas "present opportunities for plants comparable in size and efficiency to those in the US," Europe is receiving "a major share" of duPont's international expansion projects.

The Maydown Works neoprene plant at Londonderry illustrates the pattern of duPont overseas production. It is intended to supply the British Isles, Europe and certain Commonwealth markets. General Manager John Weyrich reports a 20% increase in production is underway because of "the growing demand for neoprene in Europe and the success we have had in establishing the works in Northern Ireland."

A native of Washington, DC, John Weyrich is a neoprene expert with 20 years of duPont experience. After graduation from Michigan in 1940, he went on to a Master's, joined duPont as a chemical engineer and served at neoprene plants in Louisville and Montague, Mich before receiving his Irish assignment. He describes neoprene as a multipurpose synthetic rubber utilized by nearly every industry. To basic "natural-like" rubbery properties it adds resistance to fire, weather, sunlight, oil and chemicals.

DuPont is the sole neoprene producer in the US but in Europe Farbenfabriken Bayer also turns out the same type synthetic. However, John Weyrich notes neoprene represents about 4-to-5% of total rubber sales in the US while the comparable figure in Britain and the rest of Europe is only 2%—which points up the potential market. Aside from various types of neoprene, Maydown turns out by-products nitrogen, hydrogen and hydrogen chloride. Facilities for other duPont products may also be established since the

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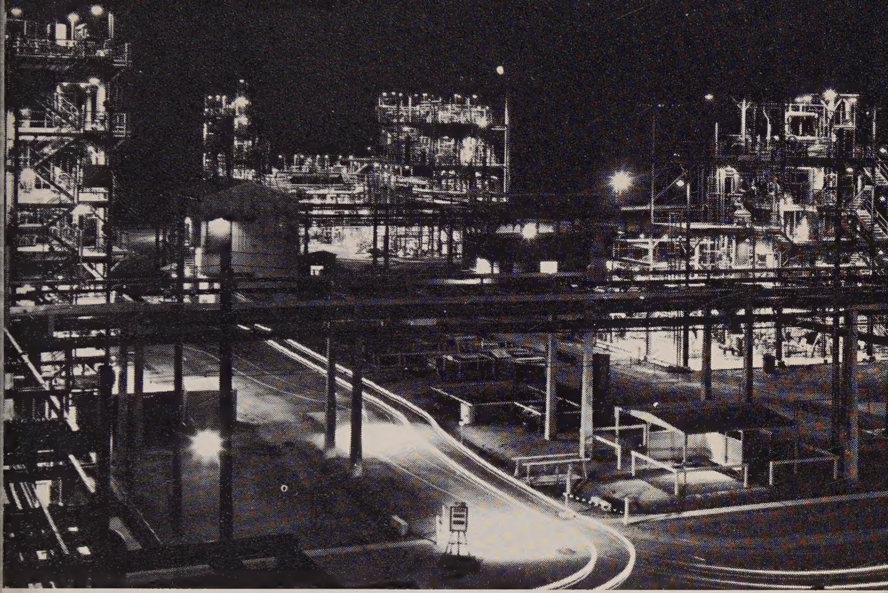

present plant occupies less than one-third of the 365-acre Maydown site.

London-headquartered duPont (UK) handles not only the Maydown output but numerous other products supplied by the US parent, prominently including Orlon, Delrin, Alathon polyethylene. It has also opened a research lab near London. The subsidiary's 40-year-old managing director is another duPont neoprene veteran. Jersey-born Bill McCoy went to the University of Virginia, came to duPont in 1942 as a chemist in the neoprene area of the Chambers Works in Deepwater, NJ. He served in various other neoprene installations, was assistant plant manager at Louisville when he was called to take charge of the UK project in 1956.

But duPont's main effort in the UK, as elsewhere overseas, is to attain maximum local participation. At Maydown John Weyrich is enthusiastic about Northern Irish-American employe relations: "The mutual effort we are expending on this operation is paying off. We have a smooth-running plant and the labor union officials continue to give their full cooperation in establishing a satisfactory working arrangement."

The Works have provided over 400 jobs, mostly to workers with little if any previous experience in modern manufacturing. Originally 34 Americans came to supervise operations and institute training programs but nearly all expect to have completed their assignment by the end of the year. Several have already left, including a couple who have taken up a new overseas neoprene assignment: at Showa Neoprene KK, newly formed 50-50 venture with Japanese chemist Showa Denko KK, whose neoprene plant at Kawasaki is due for operation late in 1962. This first Far Eastern venture for duPont was closely followed by a 50-50 partnership (this is a Japanese requirement) with Mitsui Petrochemical for a polyethylene plant.

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MAN OF ONE'S TIME

One of the great debates of modern times—most often discussed in literary circles but actually having far broader implications—is whether one should be *engagé* or *dégagé*, whether to participate in the affairs of men or to be a bystander, whether to be involved or deliberately uninvolved.

The question may be in good part academic because we are all involved willy-nilly. Still, how we choose to be involved is up to each of us individually. Surely to be men of our time, to be alive in the fullest sense of the word, implies a willingness not only to stand up and be counted but also to engage in some activity in which we believe.

At the risk of sounding pompous, may we suggest investing? The usual motive for buying securities is, of course, to make money, and we're all for that. But owning shares in American business also implies that the investor is willing to run a risk in order to have a stake in the future of our capitalistic system. There is no reason why profit and principle should not coincide.

Remember what Tennyson's Ulysses said when his adventures were over? "I am a part of all that I have met." It was a statement any man could be proud of.

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